

Unity Bank Digest

August 4th, 2023

Finance

Economic News

Lifestyle

Higher
FAAC
revenue to
stimulate
aggregate
demand

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The Macro



MPC hikes policy rate to a record high of 18.75%pa

At the recently concluded MPC meeting on July 24-25, 2023, the committee voted in favor of a 25 basis points hike in the monetary policy rate (MPR), bringing it to an all-time high of 18.75%pa. This move reflects the committee's response to both existing and potential inflationary pressures, which could emanate from recent policy changes (petrol subsidy removal & exchange rate unification). In June, Nigeria's headline inflation surged by 0.38% to an 18-year peak of 22.80%, precisely in line with FDC's forecast.

The committee also adjusted the asymmetric corridor around the Monetary Policy Rate (MPR) to +100/-300 basis points from +100/-700 basis points. With the hike in the MPR and adjustment in the asymmetric corridor, commercial banks will now borrow from the CBN at 19.75%pa via the standing lending facility (SLF) and deposit with the CBN at 15.75%pa via the standing deposit facility (SDF). This development is expected to have notable implications on the financial landscape, particularly the forex and financial markets.

The adjustment in the corridor is likely to influence the pricing dynamics of short-term financial instruments in the market. This is because of the expected reduction in liquidity, which will reduce demand for short-term securities. Already, the 364-day T/bill rate spiked by over 6% to 12.15%pa at the primary market auction on July 26 shortly after the decision.

The policy decision is also expected to boost investor confidence, reduce capital flight and possibly increase dollar inflow. Forex demand pressure is also likely to taper as Naira liquidity reduces. Therefore, the currency is likely to appreciate in the near term. Notably, the exchange rate contributes significantly to Nigeria's inflation due to high import dependence. A gradual appreciation of the naira is expected to reduce inflationary pressures, easing the cost of living crisis and ultimately enhancing consumers' standard of living. However, it is important to consider the potential threat of higher interest rates on output growth in the near term.



Fuel prices jump to over ₦600/liter in major cities in Nigeria

The pump price of fuel surged by 23.4% to ₦617/liter from ₦500/liter on July 18 as the NNPC reviewed prices to reflect the prevailing exchange rate. The IEFX rate has depreciated by 45.67% to ₦855/\$ from ₦473.5/\$ on June 13 before the exchange rate unification. Moreso, the increase in fuel price was further supported by higher oil prices. Brent crude is currently trading at \$83.70pb, 10.9% higher than an average of \$75.47pb in May.

Higher petrol prices will lead to further increases in transport costs, which will filter through to higher food prices and increased operational expenses for businesses. Already, food inflation has climbed to a 18-year high of 25.25% in June and bus fares have more than doubled. A round trip from Victoria Island to Ebute-Metta rose to ₦1600 from ₦700.

Sadly, income levels remain constant, further heightening the cost of living for average Nigerians, tapering aggregate demand and consumption levels. The real value of an individual earning the minimum wage of ₦30,000, is just ₦5,365.77 due to inflation. For businesses, elevated fuel prices mean higher distribution, logistics and operating costs. Together with the naira devaluation raising import expenses, production costs will also rise, intensifying Inflationary pressures and worsening the cost of living crisis in the country. As of June, the Stanbic IBTC PMI fell by 1.50% to 53.2 from 54 in May signalling low business confidence and economic activities.

CBN slashes the cash reserve ratio of merchant banks

The CBN has reduced the cash reserve ratio (CRR) requirement for merchant banks to 10% from 32.5%, effective August 1, 2023 while that of commercial banks remains unchanged at 32.5%. The CRR is the minimum cash reserve banks must hold with the central bank. Currently, there are six merchant banks in Nigeria including Coronation merchant bank, FBN merchant bank, FSDH merchant bank, Greenish merchant bank, Nova merchant bank and Rand merchant bank. These banks provide specialized financial services like investment banking, asset management and advisory services to businesses and high-net-worth individuals. The reduction is expected to expand merchant banks' liquidity and increase their capacity to finance trade and other long-term projects that will support economic development.

The additional liquidity from the new reserve requirement for merchant banks will also improve their customers' access to long-term loanable funds at moderate interest rates, thus

stimulating investments, effective demand, and output growth in the economy. Against growing concerns about this decision on the inflation rate, the potential boost in investment and output will stem inflationary pressures in the medium to long-term.

Strong US dollar to threaten Nigeria's economic output in 2023 - IMF

The IMF, in an article titled "Emerging Market Economies Bear the Brunt of a Stronger Dollar" stated that the US dollar rose to a 20-year high in 2022. The appreciation of the dollar has significant implications for the global economy, especially emerging markets like Nigeria. The organization estimates that a 10% appreciation in the US dollar linked to global financial market forces would cause Nigeria's gross domestic product output to fall by 1.9% in 2023. This is due to the negative impact of a strong US dollar on trade and financial channels in the economy. As the US dollar appreciates, imports become more expensive, worsening trade balance and reducing terms of trade.

In addition, it is expected that Emerging markets like Nigeria that have dollar obligations will be faced with higher debt burden and increased risk of debt default. This will increase the country's risk premium in the international capital market, reducing credit availability. Furthermore, the country's worsening external position could douse investor confidence and reduce capital inflows. This is likely to prompt monetary authorities to maintain their hawkish monetary policy stance, weighing on the performance of the stock market. Meanwhile, higher interest rates will taper inflation, increasing consumer purchasing and boosting demand.

Farmers adopt PPP model to boost maize production amid soaring prices

Poultry farms nationwide are shutting down operations due to persistent increases in the price of maize. Maize, which constitutes about 70% of poultry feed, climbed to \$559/bushel in July from \$493.50/bushel at the start of the month. The global increase in maize prices has been attributed to supply shortages caused by unfavorable weather conditions in the US and Russia pulling out of the Black Sea grain deal. This, coupled with the devaluation of the naira, has caused the domestic price of maize to rise in tandem by 56% to ₦390/tonne from ₦250/tonne a year ago, making it more costly for businesses that use maize for production. As a result, the price of poultry products like eggs have risen by 1.13% to ₦89.17 per egg in May from ₦88.17 per egg in April but have more than doubled when compared to its price year-on-year (₦40.84 per egg).

To salvage this, the Maize Association of Nigeria (MAAN) plans to adopt a private-public partnership model (PPP) to increase domestic maize production, using funds from interested stakeholders. Increased maize production will not only exert downward pressure on maize prices in the near future, but will also create more employment opportunities in the country through regional agricultural exchanges. All in

all, this policy will enable the sector to contribute its quota to the overall economic development of Nigeria while also reducing unemployment rates and the cost of inputs for poultry farmers.



FAAC revenue climbed to an all-time high of ₦907.05bn in July

The Federal Accounts Allocation Committee (FAAC) shared ₦907.05 billion (bn) amongst the three tiers of government in July from the total of ₦1.959 trillion (trn) generated. The amount shared is 15.38% higher than June's disbursement (₦786.16bn). The surge in revenue was largely due to exchange rate gains, which contributed ₦320.89bn. In addition to this, significant increases in companies' income tax, import and excise duties, value-added tax, and oil and gas royalties supported the growth in revenue. However, petroleum profit tax and electronic money transfer levies fell considerably.

Rising FAAC revenue will help ensure the efficient implementation of government projects nationwide. Additionally, the president has decided to create the Infrastructure Support Fund which aims to improve human capacity and Nigerians' living standards amidst the fuel subsidy removal crisis using funds from the FAAC revenue. This will lessen the cost burdens on consumers and offer some relief to businesses currently battling with elevated production costs.

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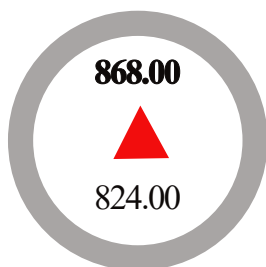
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The Business Environment

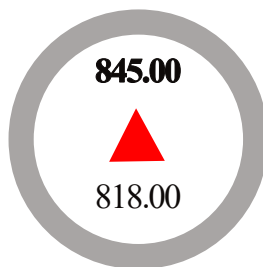
(July 17th - 26th, 2023)



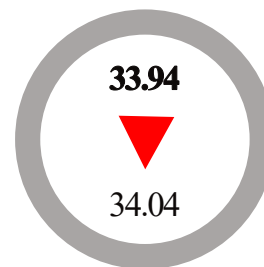
Forex Market



Forex:Parallel (N/\$)



Forex:IEFX (N/\$)



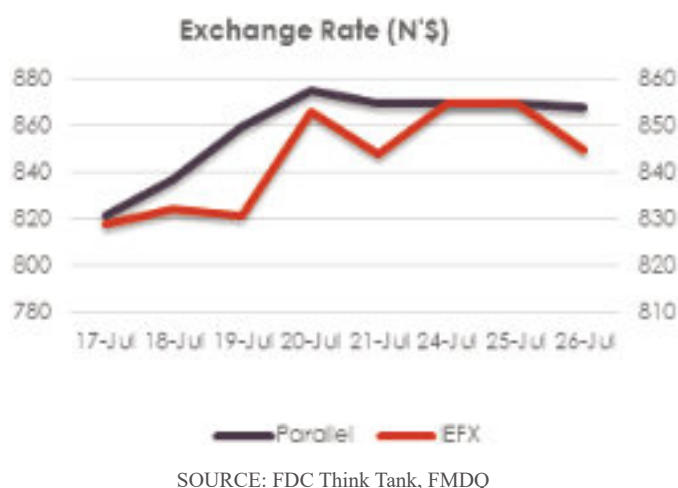
External Reserves (\$/bn)

In the second half of July, both the parallel market rate and official rates continued to move towards unification, depreciating by 5.07% and 3.19% to ₦868/\$ and ₦845/\$ respectively compared to ₦824/\$ and ₦814/\$ at the end of the previous period (July 14). Noteworthy is the faster depreciation of the parallel market rate compared to the official rate. This was due to the surge in summer travel demand for forex as supply stayed tight. This is evident in the decline in the average daily turnover by 24.14% to \$58.22mn on July 20 from \$46.90mn on July 14.

The gross external reserves level maintained a steady decline between July 17 and 25. It lost 0.39% (\$1mn) to close the period at \$33.94bn from \$34.04bn at the end of the first half of July. The steady decline was due to the elevated demand for dollars and low forex inflows, despite the rebound in oil prices (Brent rose above \$80 per barrel). The current level of reserves is however sufficient to cover 7.82 months of imports.

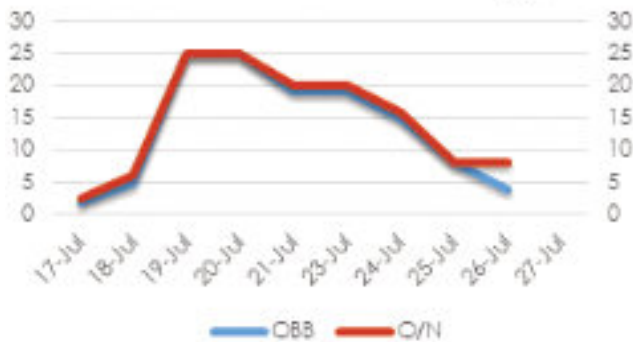
Outlook and Implications

We expected the naira to appreciate slowly in the coming weeks as the CBN sustains intervention in the forex market. The CBN had in the last MPC meeting promised to increase its intervention in the forex market to achieve price stability. However, this means a further drawdown of the external reserves, despite the current oil price rally.



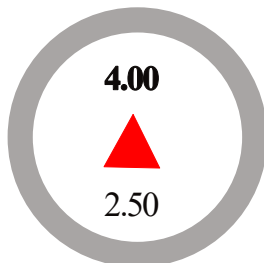
Money Market

Short-Term Interbank Rates (%)



SOURCE: FDC Think Tank, FMDQ

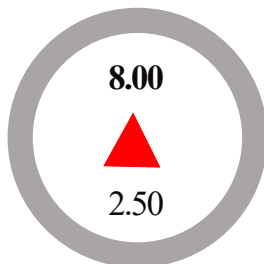
The average banks' opening in the last half of July fell by 71.81% to ₦219.46bn from ₦778.51bn in the first two weeks of July as the CBN maintains efforts to curb liquidity in the system. As a result, the average short-term interbank rates (NIBOR) spiked by 1298bps to 14.23%p.a from 1.25%p.a. in the first half of July. In the same period, the OBB and ON rose by 150bps and 550bps to 4% and 8% respectively from their value on June 14.



NIBOR: OBB(%p.a)

Outlook and Implications

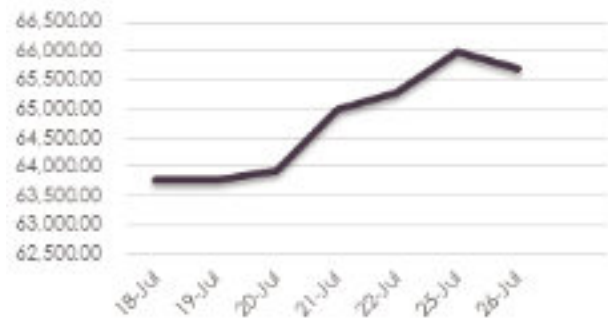
We expect short-term interbank rates to rise in line with the 25bps hike in the monetary policy rate.



NIBOR: O/N(%p.a)

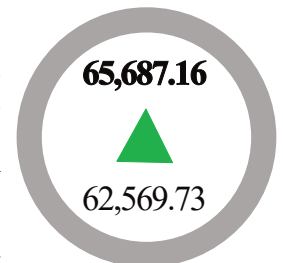
Stock Market

NGX ASI

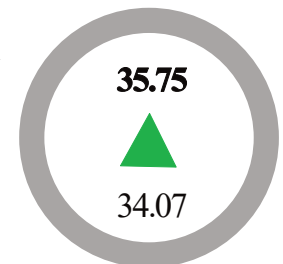


SOURCE: FDC Think Tank, NGX

The NGX ASI gained 4.36% to close the review period at 65,687.16 points from 62,943.35 points at the end of the previous period as the market capitalization rose 4.93% to close at ₦35.75trn from ₦34.07trn at the end of the first half of July. The positive stock market performance was due to the strong demand for blue-chip stocks and improved investor sentiments. However, following the rate hike on July 25, the stock market reacted by losing 0.46% in the following day. This emphasizes the inverse relationship between stock prices and interest rates. Meanwhile, the stock. Of the 8 trading days, the market gained in 6 days and lost in 2 days. As of July 26, the 52 weeks and YTD returns stood at 69.63% and 28.17% respectively.



NGX ASI



Market Cap. (₦trn)

Outlook and Implications

Given the inverse relationship between interest rates and stock prices, we expect stock market performance to be largely negative in the coming weeks.

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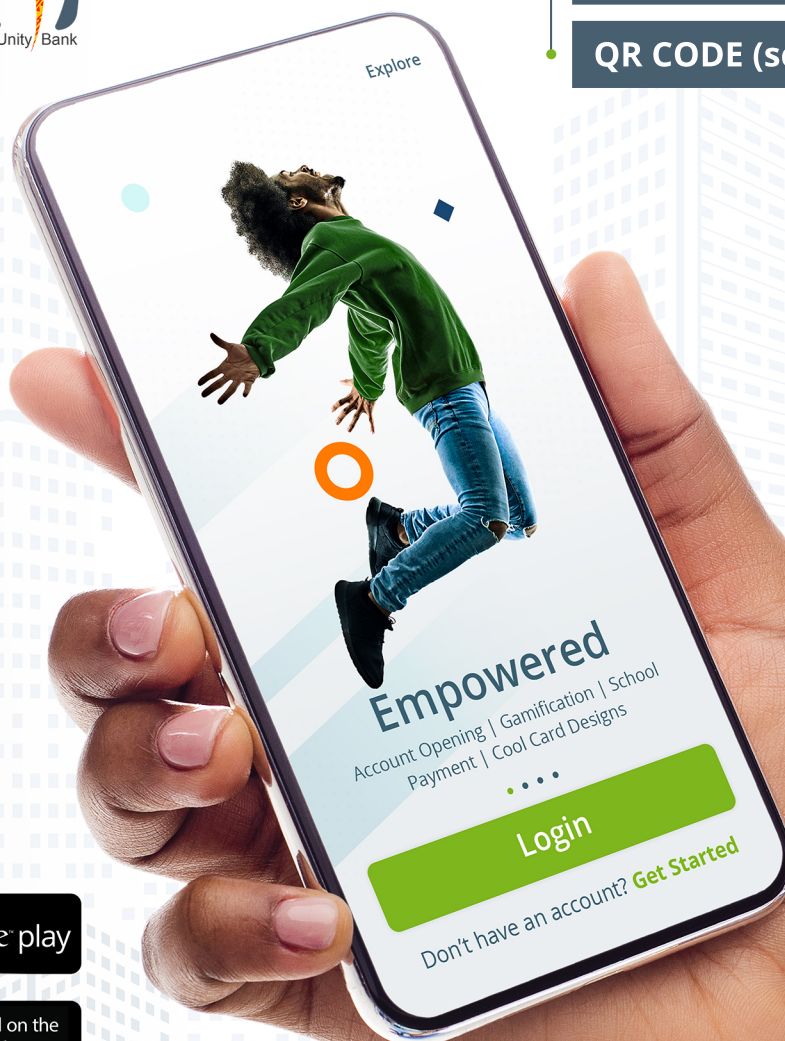
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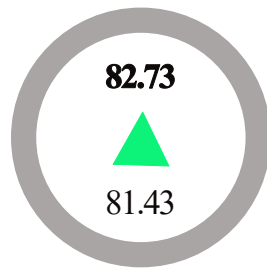
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Commodities

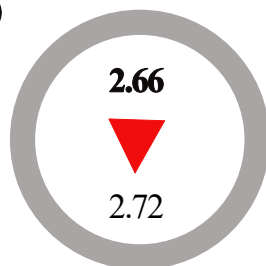
Brent prices(\$/b)



Outlook and Implications

In this review period, Brent crude hovered near a three-month high as tight supply underpinned the market. It rose by 4.48% to close the review period at \$83.70pb from \$80.11pb at the close of the first half of July as supply concerns (output cut) outweigh the demand factors (US interest rate hike). In the coming weeks, we expect oil prices to edge higher due to deepening supply uncertainties in the oil market as Russia and Saudi Arabia commit to additional output cuts in August and growing demand from China. Higher oil prices will likely bolster Nigeria's oil export earnings and improve the country's trade balance.

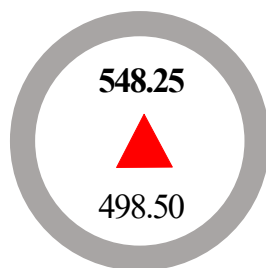
Natural gas(\$/mmbtw)



Outlook and Implications

On July 26, global LNG price stood at \$2.63, 3.54% higher than the price at the end of the previous period (\$2.54/mmbtu). This increase was primarily driven by the prediction of a hotter-than-normal weather condition in Europe, which is expected to drive the demand for gas. As summer approaches, the demand for LNG is expected to rise further, keeping the price of gas elevated. The upward trend in LNG prices is likely will support the FG revenue, as gas makes up about 11% of Nigeria's total exports.

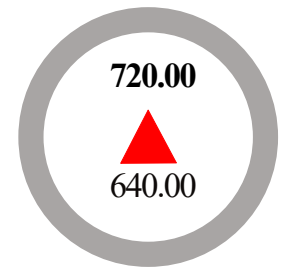
Corn(\$/bushel)



Outlook and Implications

Corn price rose to \$552/bushel in July due to high global demand and increasing threats to supply. The tight supply was mainly attributed to unfavorable weather conditions in major planting areas and the escalating conflict between Russia and Ukraine. However, in the coming weeks, the price of corn will begin to taper as crop yields from the US improve owing to improved rainfall in the region. Lower corn prices will ease imported inflation in Nigeria, while the prices of corn-related products fall in tandem.

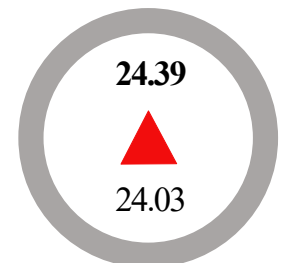
Wheat(\$/bushel)



Outlook and Implications

The termination of the Black Sea grain deal and persistent unfavorable weather conditions in key wheat growing regions in the US is expected to keep wheat prices elevated in the near term. This will heighten Nigeria's wheat import bill, while the domestic price of the commodity and its derivatives rise in tandem.

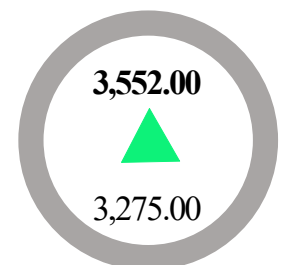
Sugar(\$/pound)



Outlook and Implications

Sugar prices experienced a minor decline on expectations of increased cane production in top producer, Brazil. However, higher demand for biofuel alternatives helped keep a floor on sugar prices. In the coming weeks, sugar prices are expected to decrease further as Brazil continues to pump its supply. This will reduce Nigeria's sugar import cost and lead to a decline in domestic prices of confectionaries.

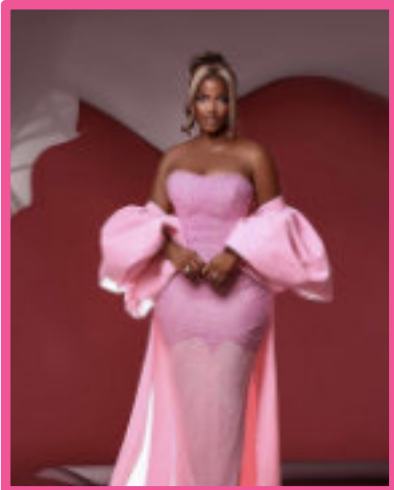
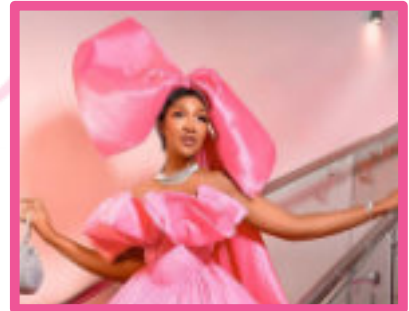
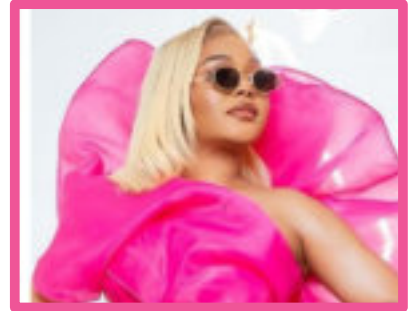
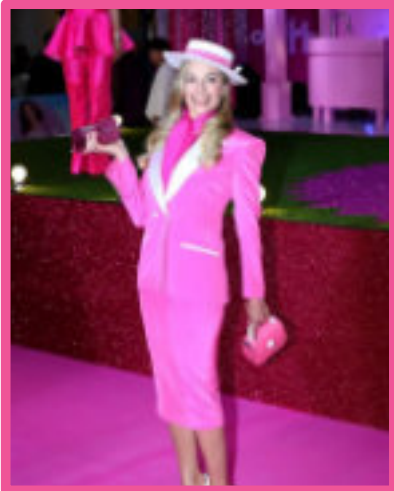
Cocoa(\$/mt)



Outlook and Implications

Throughout the second half of July, cocoa prices maintained an upward trajectory buoyed by a widening supply deficit in the global cocoa market. Notably, heavy rainfall in primary cocoa producer, Ivory Coast, and hotter-than-normal weather conditions in West Africa have raised concerns about the risk of black pod disease. This is expected to support cocoa prices in the next review period, positively impacting Nigeria's trade balances, and improving farmers' income.

Social Story



“Barbie” the movie 2023

- The beloved children’s doll, Barbie, comes to play in the real world in the new 2023 Barbie movie.
- So far, the movie is the biggest this year after successfully spreading pink across the globe.
- The premiere held on July 20 in Lagos was the talk of the town as most Nigerian celebrities walked the ‘pink’ carpet in eye-catching outfits.
- Since its release on July 21, many Barbies and Kens have crowded various cinemas, hoping to secure a seat to watch the new blockbuster.
- Despite the craze for pink costumes, the Barbie movie left many viewers in tears after some iconic lines such as "We mothers stand still so our daughters can look back to see how far they have come" and "Women hate women. And men hate women. It’s the only thing we all agree on".
- From the Oscar-nominee directors, producers, singers, songwriters, actors, and plot, the Barbie movie was nothing short of perfect. At least according to its viewers.

Lifestyle



10 Tips for Effective Communication in the Workplace

Culled from Forbes¹

What Is Effective Communication?

Communication in the workplace is the exchange of ideas and thoughts concerning work, but effective workplace communication is more than that. Effective communication is clear, and the receiver understands its purpose. So, both the sender and receiver of the message are satisfied.

Effective communication in a workplace will boost employee motivation, engagement, and

satisfaction, which will reduce workplace conflicts and enhance productivity.

With a solid understanding of how crucial effective communication in the workplace is, let's look at the top 10 tips for effective communication, including the key communication skills you need to adopt, how to prioritize two-way communication, how to organize communication and more.

1. Communicate the Right Way

For more effective communication, first, ask these questions.

What is the goal?

- Who needs to hear this?
- How should I pass the message across?
- Ineffective communication often occurs when managers talk to the wrong employees or share information in the wrong

¹ Christiana Jolaoso. 2023. 10 Tips For Effective Communication In The Workplace. Forbes. <https://www.forbes.com/advisor/business/effective-communication-workplace/>
#:~:text=Effective%20communication%20in%20the%20workplace%20involves%20speaking%2C%20active%20listening%20and,just%20so%20you%20can%20reply.

workplace setting. So, make sure the communication purpose directs you to relevant recipients. Also, choose the most appropriate communication method out of the different communication channels for the employee and situation. For example, an employee may prefer email, while another person likes a physical interaction, where there's eye contact, and they can read your body language.

Generally, though, you should communicate urgent information or instructions, major news or sensitive news such as a promotion or transfer face-to-face.

2. Prioritize Two-Way Communication

Effective communication in the workplace involves speaking, active listening and feedback. Both parties need to understand each other. Now, how can you make that possible?

Practice active listening: To avoid missing important information, don't listen to a coworker just so you can reply. Instead, listen to understand them. Maintain eye contact with the speaker, jot down whatever comes to your mind while they're speaking, and respond with relevant gestures to show you're listening.

Embrace feedback: Ask your team members for feedback on your message and communication style, and note their comments and concerns. They can share such information during meetings or drop them anonymously in suggestion boxes. You can also offer feedback but do it thoughtfully. Just don't do it harshly or in public.

Also, adopt constructive feedback by first appreciating their work and then pointing out how to improve. Allow them to share their thoughts on your feedback, too.

3. Build Your Communication Skills

Effective workplace communication starts with you developing good communication skills. Here are the vital ones.

Be clear: To communicate effectively, be clear about your goal, use easy-to-understand words and avoid incomplete sentences. Also, provide context when communicating with your team. For example, when setting expectations, share samples and highlight the groups that should be involved and those that will be affected by the output. Also, encourage employees to ask questions to minimize errors and maximize productivity.

Remain courteous: To enhance effective communication in the workplace, you need to practice respectful communication and work through differences positively. Even during disagreements, try to stay polite, avoiding offensive words. Also, watch your body language and facial expressions, and use the right tone, so you don't give off unintentional cues.

Stay open-minded: Make sure your employees feel comfortable approaching you with ideas or concerns. That means you must keep considering their thoughts and attending to them respectfully, even when busy. And if you have concerns about an employee's behaviour or performance, discuss it with them instead of making assumptions.

4. Embrace the Uniqueness of Each Employee

One of the most important things to improve communication and employee engagement at your workplace is embracing each employee's unique communication style. That means you need to learn about their preferred communication channels and style. Then, tailor your communication methods to their selected style. While the sales team seeks endless data analytics, the analytics team might not want detailed stories about how to land clients.

5. Have One-on-One Interactions

To improve workplace communication, you need to be intentional about relationships. Schedule one-on-one meetings with your team

members. These meetings show your employees that you value them and are willing to connect with them more personally. Plus, the timid or reserved ones tend to be more open and share valuable information and feedback in private settings.

6. Schedule Weekly Team Meetings

To foster good communication amongst team members, schedule weekly meetings where employees can speak their minds. Team managers can meet with team members to review each week's accomplishments, challenges and concerns. They can also set goals and tasks for the following week and even discuss big-picture ideas. You can also take a step further by documenting important conversations and sharing recaps to clarify points and help the team remember recommendations and action points.

7. Make Time for Team Building

Team building activities often create a dynamic working environment, where people feel safe and build their confidence. So, get creative—offer employees an escape from usual activities by promoting casual interactions such as nonwork Slack channels or out-of-office events. Let them socialize and collaborate through activities such as icebreaker games, puzzle-solving games, fitness sessions, team lunches and movie dates. Team members will loosen up and improve communication and team collaboration, promoting employee retention.

8. Show Appreciation

Businesses with engaged and happy workers make 23% more profits than those with miserable employees. To move closer to achieving your goals as an organization, you need to appreciate employees and show you care. Thank them for their brilliant ideas or for completing a task quickly. And that includes zeroing in on exactly what made you happy. It

will show that you're genuine, and they can replicate it, too.

For instance, you can say, "You did great highlighting the customer segmentation steps in your presentation. The examples you gave helped the team understand the process."

9. Get a Team Communication App

Without good team communication, there will be miscommunications, especially since many organizations are now hybrid or remote. But with team communication platforms, whether UCaaS or CPaaS, employees can communicate, stay up to date and collaborate on projects. They can meet to carry out their tasks, share relevant information and discuss upcoming tasks. Communication apps include project management tools, video conferencing tools and voice-over-internet-protocol services.

10. Organize Communication Training Sessions

Consider holding regular communication training sessions so that both team leaders and employees can grasp basic communication skills that improve workplace communication. Hold training sessions physically or meet online over Google Meet or Zoom or any other communication platform. You can also use webinar tools for training so that old and new employees can always access them.

Bottom Line

Communication in the workplace should exceed exchanging information. It should include intentional communication exercises that enhance confidence, promote engagement, and improve an organization's overall productivity. So, use the given tips to retain your best employees and nail your goals.



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